

VERMONT PENSION INVESTMENT COMMITTEE
July 24, 2012

VPIC Members Present:

STEPHEN RAUH, CHAIR

BETH PEARCE, VICE-CHAIR, Vermont State Treasurer

VAUGHN ALTEMUS, Governor's Delegate, term expiring June 30, 2014

DICK JOHANNESSEN, Governor's Delegate, term expiring June 30, 2014

STEVEN JEFFREY, VMERS Representative, term expiring June 30, 2014

JOSEPH MACKEY, VSTRS Representative, term expiring June 30, 2015

ROBERT HOOPER, VSERS Representative, term expiring June 30, 2016

VPIC Member(s) Absent:

None

VPIC Alternate Members Present:

KEVIN GAFFNEY, VSERS *Alternate*, term expiring June 30, 2016

THOMAS GOLONKA, VMERS *Alternate*, term expiring June 30, 2016

KAREN PAUL, *Alternate* Governor's Delegate, term expiring June 30, 2016

VPIC Alternate Member(s) Absent:

THOMAS MCCONNELL, VSTRS *Alternate*, term expiring June 30, 2013

Also attending:

Stephen Wisloski, Vermont State Deputy Treasurer

Matt Considine, CFA, Director of Investments

Katie Green, Investments Manager

Jaye Johnson, Attorney General's Office

Bill Griffin, Attorney General's Office

Doug Moseley, NEPC LLC

Jeff Briggs, VSERS Board Member

Linda Deliduka, VSTRS Alternate Board Member

Joel East, JP Morgan

Monica Chiren, Clerk

CALL TO ORDER:

The Chair, Mr. Rauh, called the Tuesday, July 24, 2012 meeting to order at 8:30 a.m., which was held in the 4th Floor Conference Room, 109 State Street, Montpelier, VT.

**ITEM 1: **Agenda Approval, Announcements, and Minutes of June 26, 2012
Regular Meeting****

The Chairperson, Mr. Rauh briefly reviewed the agenda. Mr. Johannesen indicated he would not be attending the PIMCO conference in September. Mr. Rauh indicated if

anyone else was interested in attending the conference, they should contact Mr. Considine. Mr. Hooper indicated the VSERS Board has voted to allow him to attend the NAGDCA conference. Mr. Rauh indicated that Mr. Hooper should send the conference information to Ms. Johnson just to be sure there is no conflict involved.

On a motion by Mr. Hooper, seconded by Mr. Altemus, the Committee unanimously approved the minutes of the June 26, 2012, Regular Meeting, as submitted.

ITEM 2: Director of Investments Report

- **Custody Transition**
- **Review June Flash Report**
- **Terror Nation/Genocide RFP Selection**

Mr. Considine indicated to the Committee the liquidation of the Securities Lending portfolio has been completed, with only some paperwork remaining relative to the clean-up of three securities which have no value.

Mr. Considine indicated PIMCO had downgraded two securities in the Core Plus portfolio, but since they were below the maximum value for which a Director approval can be granted, PIMCO was given permission to retain the holdings. Mr. Considine indicated 2% of the holdings in the PIMCO Core Plus portfolio are below the minimum investment grade and 1.6 % of the holdings in the PIMCO Unconstrained Fund fall in the same category, which is unchanged from the prior month.

Mr. Considine indicated to the Committee the assets under management were up slightly to approximately \$3.38 billion as of June 30, 2012. Mr. Considine reviewed with the Committee the portfolio asset allocation update indicating as of July 31, 2012 VPIC's portfolio allocation by major asset class is projected to be 33.2% equities, 35.8% fixed income, 11.2% alternatives and 19.8% multi-strategy, compared to target allocations of 33.5%, 35%, 11.5% and 20% respectively.

Mr. Considine indicated to the Committee if they had any suggestions for the attendance and educational report for Fiscal-Year 2012 they should forward them to him. Mr. Considine indicated he would incorporate conference attendance into the report per Mr. Hooper's suggestion.

(Ms. Paul arrived during this agenda item.)

Mr. Moseley indicated to the Committee all the information was not available for the June 2012 flash report at this time, but indicated once he had the information available it would be forwarded to the Committee.

Mr. Wisloski reviewed with the Committee the Terror Nation/Genocide RFP Selection recommendation. Mr. Wisloski responded to the Committee member's questions and

indicated he would provide a list of managers and companies at the next meeting so a further discussion could be held.

On a motion by Mr. Jeffrey, seconded by Mr. Johannesen, the Committee unanimously approved to renew the contract with MSCI relative to Terrorism and Genocide Compliance.

ITEM 3: Discussion Items/Updates

- **Vermont State Treasurer's Update**
- **Contract Updates**
- **NEPC Investment Manager Watch List Update**

Ms. Pearce reviewed with the Committee the recent revisions to GASB and Moody's reporting. Ms. Pearce responded to the questions posed by the Committee.

Ms. Johnson indicated Champlain has accepted everything relevant to the contract. Ms. Johnson indicated the HarbourVest contract will be completed in September, so the initial funding can occur on October 1st. Ms. Johnson indicated she will send to the Committee a summary of the terms of the side letters. There was a discussion about the five-day capital call notice.

Mr. Moseley indicated there was no one on the managers watch list.

(Mr. Griffin left the meeting at this time.)

ITEM 4: VPIC Portfolio Strategy Review

- **Characteristics of VPIC's Strategy**
- **Expected Portfolio Behavior and Performance Profile**

Mr. Rauh led the Committee in an open discussion of the portfolio strategy. The Committee members discussed whether the portfolio allocation is accomplishing what it intended to accomplish in reducing overall portfolio volatility. There was a discussion about the number of managers VPIC has and whether there would be any significant savings by reducing the number.

(Mr. Briggs arrived during this agenda item.)

The Committee discussed an annual review of the long-term design of the portfolio. Mr. Considine and Ms. Green reviewed with the Committee the scenario analysis charts. They answered all questions posed by the Committee members. Mr. Golonka indicated it would be interesting to see what the charts would look like net of fees. Mr. Considine reviewed with the Committee the Up/Down analysis charts.

(A recess was taken from 10:55 a.m. to 11:10 a.m.)

(Mr. East left the meeting at this time.)

(Ms. Green and Mr. Wisloski were not present at this time.)

ITEM 5: LIBOR Manipulation Discussion

Mr. Moseley led the Committee in a discussion concerning the LIBOR manipulation. The Committee discussed who was actually benefiting and being damaged from the manipulation.

(Ms. Green entered the meeting during this agenda item.)

ITEM 6: Economic and Financial Market Dashboard

The Committee discussed the economic and financial market dashboard. Mr. Considine indicated they continue to welcome any suggestions for the dashboard since they are still working on it in the hopes of having a more useful document.

(Mr. Wisloski entered the meeting during this agenda item.)

ITEM 7: Other or New Business

None.

ITEM 8: Adjournment

The Chair, Mr. Rauh declared the meeting adjourned at 12:05 p.m.

Respectfully submitted,

Monica Chiren, Clerk